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India

Sugar

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Report Highlights:
Post's forecast MY 2006/07 (October/September) sugar production is raised to a record 25.1 million metric tons (raw value basis) on expected higher sugarcane production and lower diversion of cane toward alternative sweeteners. Consumption is raised to 21.0 million tons and exports to 2.0 million tons on improved supplies.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
New Delhi [IN1]
[IN]

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SECTION I – SITUATION AND OUTLOOK

Note: All data are in raw value basis unless otherwise noted.

Production

Post's sugarcane production forecast for marketing year 2006/07 (October/September) is revised higher to a record 25.1 million metric tons (including 500,000 tons of khandsari sugar[1]) due to an expected bumper sugarcane crop and lower diversion of cane for production of alternative sweeteners like Gur[2]. If realized, this will be more than 13 percent higher than the previous record MY 2002/03 production of 22.1 million tons. Sugarcane production for MY 2006/07 is raised to a record 310 million tons on higher cane area and improved yields due to good rains and favorable weather, particularly in central and southern India.

The central and southern states of Maharashtra, Gujarat, Karnataka, Tamil Nadu, Andhra Pradesh and adjoining states have received good rains. Weather has been generally favorable in northern and eastern India also. Overall, the MY 2006/07 crop is progressing very well under adequate moisture conditions, which should support higher yields. Market sources report a 8-10 percent increase in total sugar production capacity of the country as several sugar industry groups have expanded the capacity of their existing units and/or set up new units. Cane availability to sugar mills is expected to be relatively high as strong sugar prices during MY 2005/06 will enable mills to make higher and timely payments during the upcoming season. Gur production, which competes with sugar for cane use, is expected lower at 4.7 million tons (vs. 5.0 million tons estimated earlier) due to depressed end-season prices.

Due to higher than initially expected sugarcane production and lower end-season diversion of cane for Gur on depressed prices (see Table 6), MY 2005/06 sugar production has been raised to 21.1 million tons. Based on the latest official figures available from the Ministry of Agriculture, MY 2004/05 sugarcane area is lowered and production estimates for MY 2004/05 and MY 2005/06 are increased.

For information on production policy, please refer the Section III of the Gain report 'India Sugar Annual 2006 (IN 6029)'.

Ethanol Program

In April 2006, the Ministry of Petroleum announced plans to supply ethanol-blended gasoline across the country in the upcoming 2006/07 MY. Market sources report that petroleum companies have floated tenders for ethanol, and will finalize prices by the end of October, 2006. The production of ethanol for blending with gasoline is expected to take off in November, almost all derived from cane sugar molasses, a by-product of the sugar industry[3]. Reports suggest that one of the leading business houses plans to install three processing units to convert sugarcane juice to ethanol in the next few years.

For more on India's ethanol program, please refer the Gain report 'India Bio-Fuels 2006 (IN6047).

[1] Khandsari sugar – a low recovery centrifugal sugar prepared by open-pan evaporation method.
[2] Gur – a crude non-centrifugal sugar in lump form prepared by open-pan evaporation method.
[3] India does not produce ethanol directly from sugarcane juice. The sugar industry crushes the cane and the cane juice is processed for production of sugar with molasses as a by-product. The molasses is used for production of ethanol and hydrous alcohol.

Consumption

Post's consumption forecast for MY 2006/07 is revised higher to 21.1 million tons on improved domestic supplies, and consequent lower prices compared to previous year. Based on the latest monthly consumption figures provided by the Indian Sugar Mills Association, MY 2004/05 and 2005/06 consumption estimates have been revised higher to 20.2 and 20.4 million tons, respectively.

Sugar prices during MY 2005/06 were very firm compared to the previous season (see Table 5), with the prices in May reaching record levels. Consequently, the government took strong measures to ease prices, such as invoking the Essentials Commodity Act to control hoarding of sugar by the trade, banning exports of sugar and allowing sugar imports at zero duty. Domestic prices in recent months have eased, albeit marginally, with current prices in the major markets ranging from $ 400 to $430 per metric tons.

Trade

India emerged as a net sugar exporter in MY 2005/06, and this status is likely to remain in MY 2006/07 on improved domestic supplies. Post has raised its export forecast for MY 2006/07 to 2.0 million tons, as India will be a competitive supplier to neighboring markets. Industry sources expect the government to remove the current ban on sugar exports by end November.

Based on the latest shipping data from market sources, MY 2005/06 exports have been revised higher to 1.15 million tons. The strong flare up in international sugar prices in MY 2005/06 led to domestic prices falling below international prices for the first time in several years. There was a strong export push by the trade, which came to a halt after the government imposed a ban on exports in July 2006. Trade sources report that by July 2006, India's MY 2005/06 sugar exports had reached 1.07 million tons (crystal weight basis), with the major importers being Pakistan (600,000 tons), Bangladesh (160,000 tons), Sri Lanka (120,000 tons), Indonesia (60,000 tons), Somalia (42,000 tons), Ethiopia (21,000 tons), and Yemen (20,000 tons) at prices ranging from $ 450 to $ 500 per metric ton (FOB).

Trade Policy

Recently the government announced a couple of trade policy measures to ease domestic sugar prices. On June 23, 2006, the government allowed imports of sugar at zero duty (against the normal duty of 60 percent). Subsequently, the government also banned exports of sugar on July 21, 2006. However, these are interim announcements and most likely will be removed when the domestic sugar supply situation improves, likely by November. For more information on India's trade policy on sugar, please refer the Section I of the Gain report 'India Sugar Annual 2006 (IN 6029)'.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Centrifugal Sugar (raw value basis), PSD

PSD Table							
Country	India						
Commodity	Sugar, Centrifugal				(1000 MT)		
	2005	Revised	**2006**	Estimate	**2007**	Forecast	UOM
	USDA Official [Old]	**Post Estimate [New]**	USDA Official [Old]	**Post Estimate [New]**	USDA Official [Old]	**Post Estimate [New]**	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Beginning Stocks	9070	9070	5535	5165	5505	4735	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	14170	14170	20320	21070	22325	25100	(1000 MT)
TOTAL Sugar Production	14170	14170	20320	21070	22325	25100	(1000 MT)
Raw Imports	2135	2135	50	50	0	0	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	2135	2135	50	50	0	0	(1000 MT)
TOTAL SUPPLY	25375	25375	25905	26285	27830	29835	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	40	40	600	1150	1500	2000	(1000 MT)
TOTAL EXPORTS	40	40	600	1150	1500	2000	(1000 MT)
Human Dom. Consumption	19800	20170	19800	20400	20400	21050	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	19800	20170	19800	20400	20400	21050	(1000 MT)
Ending Stocks	5535	5165	5505	4735	5930	6785	(1000 MT)
TOTAL DISTRIBUTION	25375	25375	25905	26285	27830	29835	(1000 MT)

Note: Stocks include only milled sugar, as all khandsari sugar produced is consumed within the marketing year. Virtually no centrifugal sugar is utilized for alcohol, feed, or other non-human consumption.

Table 2: Commodity, Sugarcane, Centrifugal, PSD

PSD Table							
Country	India						
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)		
	2005	Revised	**2006**	Estimate	**2007**	Forecast	UOM
	USDA Official [Old]	**Post Estimate [New]**	USDA Official [Old]	**Post Estimate [New]**	USDA Official [Old]	**Post Estimate [New]**	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	3750	3660	4150	4150	4400	4500	(1000 HA)
Area Harvested	3750	3660	4150	4150	4400	4500	(1000 HA)
Production	232180	237090	266880	278000	288000	310000	(1000 MT)
TOTAL SUPPLY	232180	237090	266880	278000	288000	310000	(1000 MT)
Utilization for Sugar	134270	134270	188500	198500	203000	228000	(1000 MT)
Utilizatn for Alcohol	97910	102820	78380	79500	85000	82000	(1000 MT)
TOTAL UTILIZATION	232180	237090	266880	278000	288000	310000	(1000 MT)

Note: Virtually no cane is directly utilized for alcohol. ‘Utilization for alcohol’ data in the table refers to cane used for gur, seed, feed and waste. ‘Utilization for sugar’ data include cane used to produce mill sugar and khandsari sugar.

Table 3: Sugarcane Area, Production, and Utilization

YEAR	AREA/1	YIELD/1	PRODUCTION/1	SUGAR/2	KHANDSARI/3	GUR /3	SEED/3
	Mha	MT/ha	MMT	MMT	MMT	MMT	MMT
1985/86	2.86	59.99	171.68	68.98	10.48	71.62	20.60
1990/91	3.69	65.39	241.05	122.32	13.18	76.63	28.93
1995/96	4.15	68.02	282.09	174.76	10.00	67.27	30.06
2000/01	4.32	68.49	295.60	176.65	11.00	72.48	35.47
2001/02	4.41	67.38	297.21	180.32	10.50	70.73	35.67
2002/03	4.52	63.58	287.38	194.33	9.50	49.07	34.49
2003/04	3.94	59.39	233.86	132.51	10.00	63.29	28.06
2004/05	3.66	64.74	237.09	124.77	9.50	73.82	29.00
2005/06	4.15	66.99	278.00	190.00	8.50	49.50	30.00
2006/07(F)	4.50	68.89	310.00	220.00	8.00	47.00	35.00

Source: /1: Directorate of Economic and Statistics, Ministry of Agriculture
/2: Indian Sugar Mills Association
/3: FAS/New Delhi estimate

Table 4: Mill Sugar Production by State
(In 100,000 metric tons crystal weight basis)

State	2003/4	2004/5	2005/6	2006/7
	Final	Final	Revised	Forecast
Andhra Pradesh	8.9	9.8	12.4	14.0
Bihar	2.7	2.5	4.2	4.0
Gujarat	10.7	8.0	11.7	12.0
Haryana	5.8	4.0	4.1	4.5
Karnataka	11.2	10.4	19.2	25.0
Maharashtra	31.8	22.2	52.0	72.0
Punjab	3.9	3.2	3.4	3.5
Tamil Nadu	9.2	11.1	21.0	22.0
Uttar Pradesh	45.5	50.4	57.8	66.0
Others	5.8	5.3	6.3	7.0
Total	135.5	126.9	192.0	230.0

Note: Excludes khandsari sugar as state break-out is not available.

Source: /1: MY 2003/04, 2004/05 and 2005/06 - Indian Sugar Mills Association
/2: MY 2006/07 – FAS/New Delhi Estimate

Table 5: Commodity, Centrifugal Sugar, Price Table
(Price in crystal weight basis)

Prices Table			
Country	India		
Commodity	Sugar, Centrifugal		
Prices in	rupees	per uom	Tons
Year	2005	2006	% Change
Jan	18500	20120	9%
Feb	18670	20300	9%
Mar	18150	19750	9%
Apr	18200	20420	12%
May	17670	20700	17%
Jun	18150	19430	7%
Jul	18700	19620	5%
Aug	18400	19100	4%
Sep	18500	18870	2%
Oct	19100		-100%
Nov	18620		-100%
Dec	18470		-100%
Exchange Rate	45.45	Local Currency/US $	
Date of Quote	10/06/06	MM/DD/YYYY	

Source & Contract Term: Indian Sugar Mills Association, Month-end prices in the Delhi wholesale market.

Table 6: Commodity, Gur, Price Table
(Price in actual weight basis)

Prices Table			
Country	India		
Commodity	Non-centrifugal Sugar (GUR)		
Prices in	rupees	per uom	Tons
Year	2005	2006	% Change
Jan	13750	15250	11%
Feb	13750	14250	4%
Mar	13020	15250	17%
Apr	15750	16250	3%
May	17250	16500	-4%
Jun	17000	16120	-5%
Jul	18120	15250	-16%
Aug	17500	15250	-13%
Sep	21750	14750	-32%
Oct	14250		-100%
Nov	14250		-100%
Dec	1550		-100%
Exchange Rate	45.45	Local Currency/US $	
Date of Quote	10/06/06	MM/DD/YYYY	

Source & Contract Term: Indian Sugar Mills Association, Month-end prices in the Delhi wholesale market.